

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Competitive Products Price Changes
Rates of General Applicability

Docket No. CP2014-5

**PUBLIC REPRESENTATIVE COMMENTS
ON THE UNITED STATES POSTAL SERVICE'S
NOTICE OF CHANGES IN RATES OF GENERAL APPLICABILITY
FOR COMPETITIVE PRODUCTS
ESTABLISHED IN GOVERNORS' DECISION NO. 13-2**

(November 26, 2013)

INTRODUCTION

This proceeding commenced on November 13, 2013, with the filing by the United States Postal Service (Postal Service) of its Notice of Changes in Rates of General Applicability for Competitive Products.¹ The Notice also includes related classification changes, an explanation and justification for the changes, the effective date of January 26, 2014, and a schedule of the changed rates. *Id.* at 1. On November 14, 2013, the Commission issued an order establishing this docket, setting a deadline for comments, and naming the undersigned Public Representative.² The Public Representative has reviewed the filings and finds the proposed changes in rates for competitive products appear to be sufficient to cover their respective costs, but cannot state so emphatically, as the Postal Service has failed to provide sufficiently transparent data and methodologies, thereby hindering a thorough analysis of the rate increases proposed.

COMMENTS

Price changes for competitive products are reviewed pursuant to 39 U.S.C. § 3633(a) and Commission regulations under 39 CFR part 3015. These statutory and regulatory provisions

¹ Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 13-2, November 13, 2013 (Notice).

² Notice and Order Concerning Changes in Rates of General Applicability for Competitive Products, November 14, 2013 (Order No. 1876).

require each competitive product to cover its attributable costs, prohibit the subsidization of competitive products by market dominant products, and require that competitive products collectively make an appropriate contribution to the recovery of the Postal Service's total institutional costs. 39 U.S.C. § 3633(a). Based on the numbers presented, the proposed rates contained in Governors' Decision No. 13-2 appear to generate a sufficient contribution to cover institutional costs.

The Public Representative has reviewed all public and nonpublic materials submitted by the Postal Service in the instant docket, including the Postal Service's responses to the Chairman's two Information Requests,³ and finds that most of the changes proposed be harmless to the public and financially assist the Postal Service. The highest rate increases have properly been applied to those areas with the lowest percentage of cost coverage. The overall levels of increase are comparable to those proposed by the Postal Service's chief expedited shipping competitors, FedEx and United Parcel Service.

However, the Public Representative is concerned by the lack of detailed and transparent information provided by the Postal Service in this docket. As a result, it is difficult to thoroughly evaluate the quality and accuracy of Postal Service computations. The Postal Service fails to provide formulas or explain the methodologies uses to arrive at the figures it presents in many of the Notice's various competitive product tables. Without such information, it is hard to trace the development and precision of the Postal Service's numbers.⁴

The Postal Service also fails to provide any basis for suddenly requiring Standard Mail prices to align with the retail Priority Mail prices in Zones 1-4. Notice at 4. There may very well be a legitimate rationale for the realignment, perhaps best submitted under-seal. Yet, without any statement from the Postal Service, any theory as to the rationale is purely speculative. The Public Representative stresses that it is beneficial to the Commission, and respectful of the general public, for the Postal Service to provide its justification and supportive data for the re-alignment so that it can properly be evaluated, both economically and policy-wise.

Finally, it is unfortunate that the timing of the Commission's approval of the Postal Services Proposal Seven was issued too late for the new and more accurate methodology to be applied to this docket. CHIR Response No. 1, at 6. Proposal Seven is intended to update and improve the methodology for developing attributable costs for the enhancements to

³ Responses of the United States Postal Service to Chairman's Information Request No. 1, November 21, 2013 (CHIR Response No. 1); Responses of the United States Postal Service to Chairman's Information Request No. 2, November 26, 2013 (CHIR Response No. 2).

⁴ For example, the numbers in the Revenue and Volume columns presented in the Postal Service's Competitive Product Contribution and Cost Coverage Analysis sheet are "hardwired" without a formulaic link that shows how the numbers are derived. Notice, Attachment "Competitive Product Contribution & Coverage Analysis, Contribution Reports-January, 'NonPublic Annex Jan.,' xls," November 13, 2013.

competitive Post Office Box service.⁵ It is understood that future dockets will apply the more accurate methodology.

CONCLUSION

The rates contained in Governors' Decision No. 13-2 appear to generate a sufficient contribution to cover institutional costs. The Commission is urged to require more detailed data from the Postal Service to ensure the proposed rates can be thoroughly analyzed.

Respectfully Submitted,

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⁵ Docket No. RM2014-1, Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposals Six Through Nine), November 14, 2013.